

Telecommunications Act of 1996 states, “Access to advanced telecommunications and information services should be provided in all regions of the Nation.” {Section 254 (b)(2)}. “Consumers in all regions of the Nation, including low-income consumers, and those in rural, insular, and **high cost** areas, should have access to telecommunications and information services that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas. {Section 254 (b)(3). A funding proposal based on either population or poverty does not address high cost areas and cannot deal with the vagaries of geography, climate and isolation. **High cost** as defined in Tuntutuliak, Alaska, and in Tallahasee, Florida, are very different matters.

We fail to see how setting up 50 individual oversight offices meets the goal of increased efficiency and elimination of waste, fraud and abuse. The moneys currently being spent on administration by state offices aiding applicants would be exponentially increased. At the same time, the central Schools and Libraries Division (Administrator) would have to remain in place to ensure that all the state operations operated within federal mandates and to prevent balkanization of the program.

A few of the comments advocate for state capped funding, usually based on the same economic patterns as the block grants, but with SLD retaining all of the administrative functions. This funding pattern is suggested as a cure for waste, fraud and abuse. These comments argue that applicants having to compete only with other applicants within their states will automatically and generously pare down their requests so as to share with their state brethren. We find this argument to be disingenuous. In the experience of those who have administered federal block grants, competition for funding is even fiercer when confined to the state. Could we honestly expect Dallas to forego its needs if told that Houston would receive more? In Alaska, the growing gulf between the rural bush and the urban towns would not narrow because of a limit to the total amount to be awarded. If the amount of money to be divided is specifically set statewide, state governments would have to set up a process to both allocate the money and to oversee use. This approach does not appear to either streamline the program or to eliminate waste, fraud and abuse.

During the very first year of the program, an awed consultant from the State Department of Education and Early Development returned from a trip to remote bush schools to say that she had never seen a federal program (sic) reach the classroom so quickly and so directly. This rapid assimilation of funding, all the way to the classroom wall, has continued ever since. E-Rate funds should not have to filter through another level of bureaucracy before they achieve their purpose of providing access to the world to our most remote and needy schools and libraries.

COST BASED FLAGGING

Various comments have recommended that there be developed some "magic" number in relation to cost per child/per service that could or should be entered into the Administrator's databases. The appearance of this number would then raise a flag that would cut back the funding request to a mathematically selected level or alternately would engage reviewers, auditors and funding personnel to stop the funding process and subject the applicant to close scrutiny. We believe that the Item 25 reviews and the various audits already address this concern. We ask the Commission to caution the Administrator that all states, all school districts, all libraries, and all service providers are not alike. A single number cannot possibly be used to compare costs across the country. The cost of providing Internet access to a child in Akiachak, Alaska, is undoubtedly more than the cost of supplying it to the child in Altoona, Pennsylvania. Yet, each child is as deserving of the opportunities it affords.

Neither should a state be obliged to restructure standards to provide a minimum level of acquisition which must be met by all schools before any other school can be afforded the funding to move on to higher level, innovative programs. The Joint Board wisely declared in favor of providing program benefits to applicants, allowing them the flexibility to choose those services which best meet their needs.¹ To limit these choices by reference to an artificially imposed number, rather than by matching them to the educational programs they are designed to support, is unwise and contrary to the purposes of the Act. While some states may have adopted the "basic level of service" as part of their plan for educational excellence, other states have

¹ Federal State Joint Board on Universal Service, Recommended Decision, 12 FCC Rcd 87, 321 (1996).

adopted a model that allows innovative excellence and concentrates on bringing the slower adapters forward to meet the new standards.

EXPANDING EDUCATIONAL DEFINITION

We were pleased to see that so many of the respondents to the NPRM agreed with the premise that all those who engage in education are involved in the instructional act. We encourage the Commission to acknowledge that the division of phone bills and phone lines into minute categories for purposes of declaring eligibility is not realistic and is counterproductive. The change would be more efficient. The Administrator would save review time, the applicants would save time and frustration, and the people and locations providing educational services to students would be best served by broadening the definition of "educational" beyond "instructional".

LIBRARY DISCOUNTS

Our contention that libraries are not being treated fairly in the setting of discounts was echoed by a large percentage of those commenting. We based our argument on the remote location of many of our libraries and the oddity of basing their discounts on poverty levels a hundred or more miles away. However, we noted with interest the discussion by several respondents that libraries are almost never capable of reaching a 90% discount level since they must use a school district average, no matter how poor the neighborhood in which they are located. In our state, a library is much more likely to be underfunded and without resources than a school. More than 50% of Alaska's public libraries operate on annual budgets of \$25,000 or less. Unless a library can claim the highest discounts, it will never be able to fund the internal connections needed to provide what will probably be the only Internet service available in a community. Redoing the discount mechanism to allow libraries a discount figure correlated to the population which they actually serve would help some of the smallest and neediest of these institutions.

REDEFINE POTS

When the E-Rate program began, a definition of POTS did not include anything other than dialtone and the ability to reach an operator. As the program has moved on, more services are included in "plain old" service.

This reflects the growing sophistication of the telephone industry itself and its competitive drive to provide enhanced service for its customers. The definition of POTS should grow just as the expectations of phone service use have grown. Voice mail, E911, safety service lines and other services are basic operational items in today's business world. School districts and libraries should use the services. Allowing for funding under POTS will be more efficient than separating them out of bills.

SIMPLIFICATION

Over and over through the 120 comments filed, the word "simplify" appears. With respect to the eligibility list, filing forms, dealing with appeals, and awarding funds, everyone has proposed numerous ways to streamline the operation. There was one suggestion by Tel/Logic Inc. (d.b.a. E-rate Central) which we believe would help very small libraries in Alaska that do not now apply or cannot apply successfully. Alaska has many tiny, very remote public libraries that operate with limited budgets and without paid staff. Their ability to even apply for E-Rate is limited. We support the suggestion made by Tel/Logic that such entities be combined into filing consortia with a single set of filing documents prepared and filed by some other entity, whether private or public. However, we stress the need for any method formulated to be as flexible as possible under program rules.

WIRED AND WIRELESS

It seemed obvious from the comments filed, that people, today, recognize very little, if any, difference in the function of wired or wireless services. The clear mantra of the comments was to ask the Commission and the Administrator to focus on function rather than form. Nowhere is that equality of function more evident than in the use of cell phones. Many of the students whom this program is designed to serve have never picked up a phone that was wired to its cradle. They distinguish between their home landline phone sets and their parents' cell phones mostly by size and weight, secondarily by the distance from the base the phone will work. It is incomprehensible to them that the program would cover a person who uses wired phones but not a person who uses a cell phone.

PRIORITY 2

As the amount requested for program services grows, it becomes more and more difficult for schools and libraries, just below the cut-off line for discounts, to be awarded any funds for Internal Connections. Each year, the cut-off line moves further out of their reach. Any method that would make funds available for schools and libraries in the 70 and 80 per cent discount range would be welcome. Several solutions were suggested in the comments to the NPRM. We find the idea of simply lowering the amounts awarded on Priority 2 requests (although continuing to prioritize the funding based on the traditional percentages) to be the simplest and easiest to institute. The lowered amount (e.g., 70% of your request) should be publicized well in advance. The idea of waiting until all the Priority 1 funds are awarded and then having the new funding limit announced slowly, percentage drop by percentage drop, is not fair to applicants. The trade off is that some potential applicants would not be able to participate in this part of the program because they could not afford the higher matching funds needed.

DIRECT PAYMENT OF BEARS

An often-repeated request in the comments was to allow SLD to send payment of BEAR funds directly to the applicant. While this still leaves the applicant and the service provider tied to the BEAR form to request funds, it would relieve the service provider of first receiving and then disbursing funds which are, at the time received, actually overpayments on accounts. This simplification of sending the BEAR check directly to the applicant meets the FCC's desire for efficiency of administration.

CONTENT BUNDLED WITH INTERNET ACCESS

Almost unanimously, the comments reflect a strong sentiment against the inclusion of content bundled with Internet access as an eligible service. The EED wishes to join firmly with this opinion. As several respondents stated, the opportunities for fraud and abuse in a program of that type would be rife. Presently, applicants who can find no other way to receive Internet service may be funded for bundled service under very stringent conditions. This should remain the standard.

Respectfully submitted,

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